

Request for City Council Action

Date: May 20, 2002

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by Beverly A. Wilson, Planner III, Phone 612-673-5030

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: Lake and Bloomington Redevelopment Plan, and the East Phillips Commons, Phase 1 Tax Increment Finance Plan

Previous Directives: Not Applicable.

Ward: 6

Neighborhood Group Notification: East Phillips Improvement Coalition, Powderhorn Park Neighborhood Association, Midtown Greenway Coalition, Midtown Phillips Council, and the Bloomington/Cedar/Lake Commercial Association

Consistency with *Building a City That Works*: Not Applicable.

Comprehensive Plan Compliance: Not Applicable.

Zoning Code Compliance: Not Applicable.

Impact on MCDA Budget: (Check those that apply) Not Applicable.

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

Living Wage / Business Subsidy: Not Applicable.

Job Linkage: Not Applicable.

Affirmative Action Compliance: Not Applicable.

RECOMMENDATION:

City Council Recommendation: The Interim Executive Director recommends that the City Council Community Development Committee schedule a public hearing to be held on June 10, 2002 for the Lake and Bloomington Redevelopment Plan, and the East Phillips Commons, Phase 1 Tax Increment Finance Plan; and it is recommended that the Ways and Means/Budget Committee review the proposed Plans and submits its comments at the Community Development Committee public hearing scheduled for Monday, June 10, 2002.

Background/Supporting Information

The Lake and Bloomington Redevelopment Plan establishes a new redevelopment project area, establishes objectives for the redevelopment of the project area, identifies land uses for the redevelopment of the project area, designates parcels for acquisition, authorizes the creation of a new tax increment finance district as a tool for carrying out the redevelopment activities described therein, and preserves the right of the Agency to establish one or more tax increment finance districts within three years. The East Phillips Commons, Phase 1 project is located on portions of approximately one and one-half blocks north of E. Lake Street between Bloomington Avenue S. and 16th Avenue S. The first phase consists of a rental and homeownership project consisting of 32 townhomes and 30 rental apartments, and includes 4 live-work ownership units. The project provides affordable housing as well as market rate units. The site of the proposed redevelopment project area consists of several parcels located on blocks roughly bounded by E. Lake Street, 15th Avenue S., 16th Avenue S., and parcels north of Lake Street between Bloomington and 16th Avenue S.

The Minneapolis Community Development Agency has prepared the proposed Plan documents and transmitted them to interested parties for review and comment on May 9, 2002. Comments have been requested and are due at the Agency by June 10, 2002.

It is requested that the Community Development Committee schedule a public hearing on the proposed Plans, to be held by the Community Development Committee on Monday, June 10, 2002, at 1:30 p.m. Final Council and MCDA Board Action will be held on Friday, June 21, 2002.

It is requested that the Ways and Means/Budget Committee review the proposed Plans and submit its comments at the public hearing to be held by the Community Development Committee on Monday, June 10, 2002.

MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY

**Lake and Bloomington
Redevelopment Plan**

May 10, 2002

Prepared by Project Planning and Finance Department, MCDA
105 5th Avenue South, Minneapolis, Minnesota 55401

**Lake and Bloomington
Redevelopment Plan
May 10, 2002**

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Lake and Bloomington Redevelopment Plan

May 10, 2002

Introduction

Two plan documents have been prepared to assist a proposed rental and homeownership project: this Lake and Bloomington Redevelopment Plan, and the East Phillips Commons, Phase 1 Tax Increment Finance (TIF) Plan. The Lake and Bloomington Redevelopment Plan establishes a new redevelopment project area, establishes objectives for the redevelopment of the project area, identifies land uses for the redevelopment of the project area, designates parcels for acquisition, authorizes the creation of new tax increment finance district as a tool for carrying out portions of the redevelopment activities described therein, and preserves the right of the Agency to establish one or more tax increment finance districts within three years of site acquisition or clearance. By certifying that the Lake and Bloomington Redevelopment site is occupied by substandard buildings, adoption of this redevelopment plan establishes and preserves the City and Agency's right to establish a redevelopment tax increment finance district on the site within three years of acquisition, demolition and/or clearance.

Background

There are two major projects proposed for the Lake and Bloomington Project Area ~ the first project is a collaborative effort on the part of East Phillips Improvement Coalition (EPIC), Powderhorn Park Neighborhood Association (PPNA), and the Bloomington/Cedar/Lake Commercial Association (BCLCA) to respond to critical needs of the business and residential communities of this commercial node as well as to enhance the future prospects of the area for increased economic stability and success. The collaborative chose Sherman Associates as the developer of East Phillips Commons, a multiphased housing project.

The parties joined together to create a comprehensive redevelopment plan for the blocks immediately surrounding the Bloomington-Lake intersection to address these needs and opportunities. The group has looked to PPNA staff for technical expertise, EPIC has hired an architectural firm, DJR Architecture, and provided critical funding for the planning process. The BCLCA, especially Marquette Bank, has provided financial advice. The various partnering neighborhoods and businesses have been a part of an inclusive planning process and have enthusiastically endorsed the plans. East Phillips (EPIC) has recommended \$150,000 of its NRP funds for acquisition of properties within the project area. An

effort will be made to seek both Empowerment Zone funding for Commercial Corridors and NRP Corridor funding.

Another project currently in the planning stage is being proposed by In the Heart of the Beast Puppet and Mask Theater (HOTB) for the development of property at 1508 E. Lake Street and 1518 E. Lake Street . It is anticipated that the development will convert and rehabilitate the vacant structure into a variety of new commercial uses focusing on the arts. This project may be submitted at a later date.

The belief is that these projects would resolve long-standing problems, provide for serious needs, and dramatically enhance the livability and economic health and stability of this newly revitalized and flourishing commercial node. These activities are being taken for the purpose of removing, preventing, or reducing blight, as well as the provision of homeownership and rental opportunities for residents. The Agency will work with the neighborhood and other community groups and potential developers for development of the site in order to promote community development, stabilization of the neighborhood, and enhancement of the city's tax base.

The site of the proposed redevelopment project area consists of several parcels located on a number of blocks roughly bounded by E. Lake Street, 15th Avenue South, 16th Avenue South, and parcels north of Lake Street between Bloomington and 16th Avenue South as shown on Exhibit #1, the Boundary Map.

REDEVELOPMENT PLAN

I. Project Description

Sherman Associates, Inc. is proposing the construction of 32 townhomes at approximately 1,200 square feet each, for a total of 38,400 square feet, 4 live-work ownership units at 1,600 square feet each with a focus toward the artist community, and 30 rental apartments at approximately 900 square feet average for a total of 27,000 square feet. In addition, 4,400 square feet of commercial/retail spaces will be a part of the project. The project will consist of homeownership and rental units, using a combination of local, regional and federal funds.

The plan emerging from this collaborative process includes several features that are critical to the future of this commercial node. These features will benefit both this residential and commercial community as well as the city in general.

An analysis on the part of the community has revealed a critical shortage of parking spaces. The businesses cannot grow and reach their potential because of the lack of parking. The opening of new businesses at Lake and Bloomington has had a positive effect on crime reduction. The project addresses this with a below-ground parking ramp at 31st Street and 16th Avenue and enhanced parking behind businesses.

The 2900 block of Bloomington and 16th Avenue contains a large number of boarded and condemned houses as well as deteriorated “crack drug” houses on these blocks. This situation has created a place for flourishing of drug sales and prostitution. The redevelopment of this block would resolve the crime problem, provide clientele and workers for the shops, create 32 new town home units, 4 live-work ownership units, several mixed-use residential/commercial units and a possibility for some senior and handicapped housing. The total number of units to be created is projected to be over 60, which will include 28 rental units at 50% of median income level, and of those units 6 will be available at 30% or below of the median income. The project will add significantly to the critically needed common worker housing in the area.

The project would provide the beginning of access to and from the Midtown Greenway to Lake Street and in doing so would add Greenway users to the commerce of the area. The project would also add a commercial corner to the north end of the block nearest the Greenway as well as live/work light commercial along Bloomington itself, providing some new commercial opportunities and spaces for their development. The project also adds additional parking and greening in back of the stores on Lake Street. The area is close to the Lake Street LRT Station and so would add riders to the LRT and a convenience amenity for the new homeowners.

Future Development

In addition to Phase 2 of the housing project, a proposal is being considered by In the Heart of the Beast Puppet and Mask Theater (HOTB), a Minnesota Non-Profit Corporation, and California Building Company, a Minnesota Corporation, to examine together, the development of the property at 1508 E. Lake Street and 1518 East Lake Street. The proposal calls for the acquisition, development, owning and operating of the Project. HOTB will be the anchor tenant (and/or an owner) of the Project. The development will convert and rehabilitate the former vacant structure into a variety of new commercial uses focusing on the arts including, art studio space, retail space, office space, and rehearsal and storage space for HOTB. The rehabilitation of the Project may include seeking Historic Designation. The Project also includes parking land. The land will be used to help solve parking issues for the Project, HOTB and the neighborhood.

A. Boundary of Redevelopment Project

Under the authority of the Housing and Redevelopment Authorities Act, approval of this Plan establishes a new Redevelopment Project as defined in Minnesota Statutes Section 469.002, Subdivision 14. The Project Area Report and Documentation of Blight is attached as Exhibit #7 to this Plan.

The boundary is generally bounded by 16th Avenue South on the east, 15th Avenue South on the west, the center right-of-way line of E. Lake Street on the south, and part of Block 2, Allan & Andersons Addition to Minneapolis.

B. Project Boundary Map

The Project Boundary Map is included in this Redevelopment Plan as Exhibit #1.

C. Objectives of the Redevelopment Plan

The City of Minneapolis, together with the Minneapolis Community Development Agency, seeks to achieve the following objectives through the Lake and Bloomington Redevelopment Plan.

The primary project objective will be to identify and carry out housing and commercial redevelopment activities in the project area which will revitalize the neighborhood. Toward this end, the following goals have been identified:

- (1) Facilitate the development and redevelopment of underutilized and/or blighted property in the project area
- (2) Eliminate blight, incompatible uses, and blighting influences
 - Acquire and remove buildings that are economically or functionally obsolete and/or buildings that are underutilized.
 - Remove structurally substandard buildings which are incapable of being rehabilitated.
 - Remove boarded and condemned property.
 - Eliminate blighting influences which impede potential development.
- (3) Develop affordable housing, including both homeownership and rental units, to individuals and families.
- (4) Provide sufficient parking to meet the needs of the community.
- (5) Provide new commercial opportunities and spaces for commercial development.
 - Revitalize/restore/renovate property in the area to create a safe, attractive and functional area
 - Improve the aesthetic and economic vitality of the business district
 - Contribute to the cultural and economic vitality of the neighborhood

- Promote reinvestment, modernization and rehabilitation as needed
- (6) Provide access to and from the Midtown Greenway to Lake Street.
- (7) Provide public improvements and infrastructure as needed.
- (8) Improve the tax base and tax revenue generating capacity of the City.

D. Types of Redevelopment Activities

The objectives of the redevelopment plan will be accomplished through the following activities: acquisition of properties and relocation of occupants, demolition, clearance and redevelopment, rehabilitation/renovation of existing structures, construction of buildings and other improvements, provision of affordable rental and homeownership units, project and public improvements suitable to the needs of the project, parking, administration, and other related activities.

II. Land Use Plan

A. Land Use Map

The Land Use Map is included in this Redevelopment Plan as Exhibit #2. The Land Use Map reflects the general pattern of recommendations for future land use. The land use indicated is residential and commercial.

B. Land Use Provisions and Requirements

1. Permitted Uses

a. Residential uses shall conform to the Minneapolis Zoning Ordinance and generally limited to those areas specified as residential on the Land Use Map.

b. Commercial

Commercial uses shall conform to the Minneapolis Zoning Ordinance and shall be limited to those areas specified as commercial on the Land Use Map.

2. Additional Regulations and Controls or Restrictions to be Imposed on the Sale of Acquired Land

All new development on land acquired by the Agency shall conform to the applicable state and local codes and ordinances and the requirements of this Plan, including the provisions of the Minneapolis Zoning Ordinance. In cases where codes or ordinances are more restrictive than this Plan, the more restrictive will apply.

3. Period During Which Land Use Provisions and Requirements will be in Effect

The requirements and provisions of Section II. B. of this Redevelopment Plan shall apply to all of the properties acquired in the Project Area except where strict compliance thereto would in the judgment of the Agency either not be in the best interest of the project or the City, or would not contribute to the achievement of the objectives of this Redevelopment Plan. These requirements shall remain in effect for twenty years from the date of conveyance of the disposition parcels.

III. Project Proposals

The developer of the East Phillips Commons Project, Sherman Associates, Inc. is proposing new construction of 32 townhomes at approximately 1,200 square feet each, for a total of 38,400 square feet, 4 live-work ownership units at 1,600 square feet, and 30 rental apartments at approximately 900 square feet average for a total of 27,000 square feet. In addition, 4,400 square feet of commercial/retail spaces will be a part of the East Phillips Commons Phase 1 project. The project will consist of homeownership and rental units, using a combination of local, regional and federal funds.

Twenty-eight of the rental units will be affordable to persons at 50% of the median income and of those units, six will be available at 30% or below of the median income as prescribed in the Minnesota Affordable Housing Investment Fund (MARIF).

Future potential development will convert and rehabilitate a former vacant structure into a variety of new commercial uses focusing on the arts including, art studio space, retail space, office space, and rehearsal and storage space for HOTB. The rehabilitation of the Project may include seeking Historic Designation. The Project also includes parking land, and will be used to help solve parking issues for the Project, HOTB and the neighborhood.

A. Land Acquisition Map

Exhibit #3, attached.

B. Land Acquisition

1. List of Property that May Be Acquired

By including in this Redevelopment Plan a list of property that may be acquired, the Agency is signifying that it is interested in acquiring the properties listed, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the Agency to acquire a property.

Property That May Be Acquired:

<u>Address</u>	<u>PIN number</u>	<u>Owner</u>
2843 Bloomington Av S	35-029-24-44-0026	Jose Socarro Ortiz
2845 Bloomington Av S	35-029-24-44-0025	Maria C. Zumba De Zhagui
2901 Bloomington Av S	35-029-24-44-0057	Kevin Johnson/Krishna Dorney
2905 Bloomington Av S	35-029-24-44-0056	Edward L. Doll
2909 Bloomington Av S	35-029-24-44-0055	Edward L. Doll
2913 Bloomington Av S	35-029-24-44-0054	Edward L. Doll
2917 Bloomington Av S	35-029-24-44-0053	Edward L. Doll
2919 Bloomington Av S	35-029-24-44-0052	Carl R. Diamond
2927 Bloomington Av S	35-029-24-44-0051	Carl R. Diamond
2931 Bloomington Av S	35-029-24-44-0064	MCDA
2937 Bloomington Av S	35-029-24-44-0205	Third Financial Corporation
2941 Bloomington Av S	35-029-24-44-0061	Edward Puckett
2840 16 th Av S	35-029-24-44-0023	Richard E. Stenger
2844 16 th Av S	35-029-24-44-0024	Jason S. Geschwind
2900 16 th Av S	35-029-24-44-0045	Truy Le & Lien Nguyen
2908 16 th Av S	35-029-24-44-0046	Philip R. Owens
2912 16 th Av S	35-029-24-44-0047	Sean C Walsh
2916 16 th Av S	35-029-24-44-0048	Jesus F. Vega/Diana Vivanco
2920 16 th Av S	35-029-24-44-0049	Oscar Cruz
2924 16 th Av S	35-029-24-44-0050	Christopher A. Hervey
2926 16 th Av S	35-029-24-44-0059	MCDA
2930 16 th Av S	35-029-24-44-0060	Noe Arreguin

2. Conditions Under Which Property May Be Acquired

State law authorizes the Agency to acquire property either on a negotiated basis or through the use of its power of eminent domain, if necessary, to carry out a redevelopment plan. The Agency will seek to acquire property from willing sellers whenever possible, but may use

the power of eminent domain and its condemnation authority to acquire property identified as “property that may be acquired” when necessary.

C. Rehabilitation

Property that is acquired under this Redevelopment Plan may be rehabilitated or sold for rehabilitation when such rehabilitation would serve to achieve the objectives of this Redevelopment Plan.

D. Redevelopers' Obligations

The general requirements to be imposed upon the redevelopers, their successors or assigns, will be established in the development agreements. Terms and conditions of a redevelopment contracts with the East Phillips Commons Phase 1 developer, Sherman Associates, Inc. will be executed.

IV. Relocation

The Agency in and for the City of Minneapolis accepts as binding its obligations under state and local law for relocation and will administer relocation services for families, individuals, and businesses to be displaced by public action. The State Law requires that: “Prior to approval by the Agency of any redevelopment plan, it shall be satisfied that there is a feasible method for the temporary relocation of families to be displaced from the project area and that there are available or will be provided, in the project area or in other areas not less desirable in regard to public utilities and public commercial facilities and at rents or prices within the financial means of the families displaced from the project area, decent, safe, and sanitary dwellings equal in number of such displaced families.”

A copy of the Minneapolis Community Development Agency Relocation Plan has been attached as Exhibit #9 to this Plan.

V. Official Action to Carry Out the Redevelopment Plan

Minnesota law requires that the Minneapolis City Planning Commission review this Redevelopment Plan and that its written opinion, if any, accompany the Redevelopment Plan when it is officially submitted to the City Council for approval (Minnesota Statutes, Section 469.027). In approving the Redevelopment Plan, the City Council is responsible for carrying out those elements of the Redevelopment Plan requiring official action by the City government.

VI. Procedure for Changes in Approved Redevelopment Plan

This Redevelopment Plan may be modified as provided in Minnesota Statutes, Section 469.029, Subdivision 6, as follows:

"A redevelopment plan may be modified at any time. The modification must be adopted by the authority and the governing body of the political subdivision in which the project is located, upon the notice and after the public hearing required for the original adoption of the redevelopment plan. If the authority determines the necessity of changes in an approved redevelopment plan or approved modification thereof, which changes do not alter or affect the exterior boundaries, and do not substantially alter or affect the general land uses established in the plan, the changes shall not constitute a modification of the redevelopment plan nor require approval by the governing body of the political subdivision in which the project is located."

EXHIBIT # 4

CITIZEN PARTICIPATION REPORT

Lake and Bloomington Redevelopment Plan

May 10, 2002

Final plan documents will be sent to the East Phillips Improvement Corporation and to the Midtown Phillips NRP Committee, for a thirty day review period. These groups will be given the opportunity to review and comment on the Lake and Bloomington Redevelopment Plan prior to consideration of the Plan by the City Council and the Minneapolis Community Development Agency Board of Commissioners.

The Minneapolis Community Development Agency will continue to work with these groups throughout the implementation of the Redevelopment Plan.

**MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY
AFFIRMATIVE ACTION POLICY
Lake and Bloomington Redevelopment Plan**

May 10, 2002

It is the policy of the Minneapolis Community Development Agency to provide equal employment opportunities without regard to race, color, national origin, relation, sex, age, disability, affectional preference, or status with regard to public assistance to all applicants for employment and all employees. This pledge applies to all areas of employment including recruitment, employment, job assignment, training, promotion, transfers, rate of pay, and all other forms of compensation and benefits.

The employment policies and practices of the Minneapolis Community Development Agency will ensure that all employees and applicants for employment are treated equally and that no distinction is made in its employment practices, except on the basis of merit, because of race, color, national origin, religion, sex, age, disability, affectional preference, or status with regard to public assistance.

Developers and construction contractors who participate in redevelopment activities will be required to practice affirmative action and fulfill the Minneapolis Community Development Agency Affirmative Action checklist goals, and to develop and implement women and minority interest in business enterprise plans.

ENVIRONMENTAL REVIEW
Lake and Bloomington Redevelopment Plan

May 10, 2002

The Minneapolis Community Development Agency will comply with all applicable local, state and federal regulations and procedures regarding the assessment of potential environmental impacts resulting from project activities.

PROJECT AREA REPORT

Lake and Bloomington Redevelopment Plan and Tax Increment Finance Plan May 10, 2002

Findings for the Redevelopment Project

The Lake and Bloomington Redevelopment Project (the "Redevelopment Project") qualifies as a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16).

An areawide assessment for eligibility for purposes of establishing a redevelopment project was conducted in November 2001. It was found that the site characteristics indicate significant blighting influences caused by the volume congestion of traffic on East Lake Street and difficult characteristics of the site, all of which may have contributed to and prevented normal development of the land in the past. It was also found that with reasonable certainty, deficiencies exist in the buildings that are below standards of the Uniform Building Code applicable to new buildings and that the buildings at the location are marginal, and structurally substandard in accordance with the Law, because the costs of repairs to comply with standards of the building code exceed 15% of the properties' replacement value.

The statutory definition for "blighted areas" include "buildings or improvements that exhibit dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious land use, obsolete layout and other factors, detrimental to the safety, morals or welfare of the community". The existing residential spaces are obsolete for their present or continued use and are functionally obsolete, lacking certain life safety factors, elements of the Americans with Disabilities Act and obsolete mechanical and electrical systems essential for continued occupancy. Further, the residential and commercial buildings lack energy conservation standards essential for continued occupancy in order to be in compliance with the Uniform Building Code of Ordinances (see State Energy Code 2000, and Bulletin 80-1 Property Code). In addition several illegal conversions of property were observed.

The proposed project area includes approximately 12 acres of land with a total of 49 buildings including 34 residential uses, 12 commercial buildings, 3 institutional occupancies and 16 vacant land parcels totaling 65 parcels. The deterioration of the vacant residential use undermines the value of the adjacent property and the use constitutes a repository for debris, a fire hazard, and vacant residential space is not only an uneconomic use of inner city real estate, but is technically by definition, a structurally substandard building condition (Spot Renewal Chapter 469.012).

Observed indicators of blight are characterized by difficult public access, inadequate setback and side yard restricting the land use (preventing normal maintenance), debris, lack

of or no off- street parking, vacant lots containing parked vehicles and outside storage, in addition to graffiti and noxious vegetation and brush, vermin infestation, and deterioration of the wall and roof surfaces, all found generally throughout the entire described area. The use of the property and the structures adversely affects the predominantly residential use and character of the area primarily due to deterioration and vacant buildings, street hazards or inaccessible properties, congestion of streets due to inadequate space for the use, parking and servicing needs, traffic, service trucks, parked cars, or type of activity generated or attracted by this combined residential and commercial use located on a heavily trafficked arterial intersection.

Factors also detrimental to the health, welfare and morals of the community are characterized and effected by loud music, public urination, and the intersecting problems of drug dealing, prostitution and gathering of homeless people. Street security is difficult when people engage in narcotic incidents, and panhandlers or suspicious persons and vagrants exhibits aggressive behavior. The proposed project area contains many properties exposed to hazardous traffic patterns, merging and “jockeying” vehicles on narrow streets, lacking adequate parking facilities, resulting in cars parked on sidewalks, all impeding the smooth flow of traffic in an area lacking adequate infrastructure all of which disrupts and impedes the flow of traffic and prohibits normal snow removal, particularly in the narrow angled alleys. Many commercial uses off load trucks from the street due to inadequate off street parking, causing hazardous conditions to pedestrians, and insufficient space to maneuver trucks.

Vacant residential property contained broken windows and interior areas open to the elements, with damage caused by vandalism or disuse; dilapidated out buildings, and graffiti covered walls which must be corrected in accordance with city ordinance. Exterior inspections revealed the presence of the following blighting conditions: roof damage caused by ice damming and worn roofing materials, damaged siding and trim, broken storm doors and windows, garage framing and doors out of plumb and in need of paint, trash on site, garage doors open directly onto the alley, and vacant commercial and residential buildings. The above are typical physical and functional obsolescence findings existing generally throughout the geographic area of East Lake Street and Bloomington Avenue with varying degrees of specificity.

Blight Findings for Redevelopment TIF District

Of the 22 parcels to be included in the TIF District, 15 parcels had buildings that were structurally substandard according to Subdivision 10 (b) which states “structurally substandard” shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance; or were not in compliance with the building code applicable to new buildings, or could be modified to satisfy the building code at a cost of less than 15% of the cost of constructing a new structure of similar square footage and same type of building on the site. Additionally, there was one boarded and vacant building, 2 marginal properties, and 5 vacant lots. The marginal properties had minor repairs and code violations that did not exceed the thresholds to be considered structurally substandard. When permitted, internal and external inspections were conducted on the properties to be included in the TIF District by MCDA Staff. Documentation supporting these findings is on file in the offices of the

Minneapolis Community Development Agency, Suite 600, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401.

Findings to this affect will be included in the resolutions considered by the City Council of the City of Minneapolis at the time that these plan documents are offered for approval.

Preliminary Budget and Method of Financing
Lake and Bloomington Redevelopment Plan
May 10, 2002

Description of Housing Development

Sherman Associates, Inc. is proposing the construction of 32 townhomes at approximately 1,200 square feet each, for a total of 38,400 square feet, 4 live-work ownership units at 1,600 square feet each with a focus toward the artist community, and 30 rental apartments at approximately 900 square feet average for a total of 27,000 square feet. In addition, 4,400 square feet of commercial/retail spaces will be a part of the project. The project will consist of homeownership and rental units, using a combination of local, regional and federal funds.

The 2900 block of Bloomington and 16th Avenue contains a large number of boarded and condemned houses as well as deteriorated “crack drug” houses on these blocks. This situation has created a place for flourishing of drug sales and prostitution. The redevelopment of this block would resolve the crime problem, provide clientele and workers for the shops, create new town home units, several mixed-use residential/commercial units and a possibility for some senior and handicapped housing.

The plan would also add a commercial corner to the north end of the block nearest the Greenway as well as live/work light commercial along Bloomington itself, providing some new commercial opportunities and spaces for their development. The plan would add additional parking and greening in back of the stores on Lake Street. The area is close to the Lake Street LRT Station and so would add riders to the LRT and a convenience amenity for the new homeowners.

Developer Information

Sherman Associates, Inc. specializes in the design, construction and financing of quality housing opportunities in Minnesota, North and South Dakota and Wisconsin. Sherman Associates has developed and rehabilitated over 3,000 multifamily and single family homes since 1978. These include both a diversified range of luxurious single family homes and townhouses, and over 1,350 quality tax credit housing units.

Financing Overview

The planning for this project is being paid for out of grants provided for the East Phillips Neighborhood NRP, a Headwaters Grant, and CDBG grant. The collaborative intends to seek development financing from the Empowerment Zone

Commercial Corridor funding and NRP Commercial Corridor funding, as well as private foundation, mortgages, Low Income Tax Credits, tax exempt mortgages, Tax Increment Funds, Minnesota Housing Finance Agency funds, and the Metro Livable Communities Program.

TIF District Budget

Sources	Up-Front	Over Time
Developer Funds	866,500	---
Tax Increment	---	2,358,271
Annual Local Contributions	---	117,914
<u>Total Sources.</u>	\$866,500	\$2,476,185
<u>Uses</u>		
Acquisition	866,500	---
Relocation	0	---
Demolition	0	---
Environmental Remediation	0	---
Building Rehabilitation	0	---
Pay-As-You-Go Note Principal	---	866,500
Pay-As-You-Go Note Interest	---	1,255,858
MCDA Administration	---	235,827
<u>Total Uses.</u>	\$866,500	\$2,358,185

It is anticipated that up-front public redevelopment costs will be financed with pay-as-you-go tax increment financing. With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City or MCDA, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

RELOCATION POLICY*

Lake and Bloomington Redevelopment Project

May 10, 2002

*includes information for both residential and business relocation, where applicable

I. Description of Administrative Organization

A. Relocation Agency - Minneapolis Community Development Agency

The Minneapolis Community Development Agency in and for the City of Minneapolis will administer relocation services for families, individuals and businesses to be displaced from property acquired by the Agency.

B. Ability-to-Pay Standards

1) Tenants

No family shall be required to accept referral to a dwelling unit if the gross rental charge for such unit exceeds 30 percent of their monthly income.

2) Home Buyers

It shall be the policy of the relocation staff to consider the following in the purchase of a home: The cost of the house should be consistent with the current ability to pay standards set forth by local lending institutions.

C. Environmental Standards

Referrals to dwelling accommodations shall be reasonably accessible to the place of employment of the primary wage earner and in an area which is generally not less desirable with regard to public facilities and commercial facilities than those existing in the area from which the family is being displaced. A comparable dwelling unit must be in a location not subjected to unreasonable adverse environmental conditions, natural or man-made.

II. Relocation Policy

It is the Agency's relocation policy that:

- A. Families and individuals to be displaced under this program have full opportunity to occupy standard housing that is within their financial means and adequate to their needs; is reasonably accessible to their places of employment or potential employment, transportation, and other commercial and public facilities; and is available on a non-discriminatory basis.
- B. Business concerns and non-profit organizations to be displaced be provided maximum assistance to aid in their satisfactory re-establishment with a minimum of delay and loss of earnings.
- C. Full relocation benefits will be provided to displaced businesses. Assistance will be provided in the preparation of claims for relocation benefits.
- D. Project or program activities to be planned and carried out in a manner that minimizes hardship to site occupants and that involves the smallest magnitude of displacement consonant with the needs of the project or program and the persons to be displaced.
- E. Relocation be carried out in a manner that will promote maximum choice within the community's total housing supply; lessen racial, ethnic, and economic concentrations; and facilitate desegregation of racially inclusive patterns of occupancy and use of public and private facilities.
- F. Service be provided to assure that the relocation process will not result in different or separate treatment because of race, color, religion, national origin, sex, or source of income.
- G. Persons to be displaced be provided full information relating to program or project activities which may have an impact on the residents of the project or program area.
- H. Arrangements to be made to provide relocation assistance in accordance with the needs of those to be displaced, including social services counseling, guidance, assistance, and referrals, as well as rehousing.

Inspection will be made of all relocation resources to determine that the dwelling units are at a minimum in accordance with the Housing Maintenance Code of the City of Minneapolis.

III. Assistance in Obtaining Housing

A. Listings

The following arrangements will be made with sources of existing private and public housing to the extent required to meet relocation needs.

1) Private Housing

Notification of vacancies will be obtained through utilization of the following sources as needed:

- Advertisements in newspapers;
 - Soliciting the cooperation of inspectors who are familiar with standard housing accommodations;
 - Windshield surveys of neighborhoods for vacancies; and
 - Soliciting cooperation of landlords at the time inspections are made to notify the Agency of future vacancies.
- 2) Apparently eligible applicants for public housing will be assisted in making application for low-rent public housing.

Families and individuals displaced will be accorded a priority in public housing.

- 3) Housing units which are scheduled for clearance under other governmental activity shall not be considered for referral.
- 4) Displacees will be encouraged to seek assistance with regard to inspection from the relocation counselor before moving. If the site occupant makes a self-move to substandard housing, the relocation counselor shall offer further assistance and encouragement to secure standard accommodations.
- 5) The Agency shall provide counseling and assistance to prospective homeowners.

B. Relocation Office

The Relocation Office, located in Suite 600, Crown Roller Mill, 105 - 5th Avenue South, Minneapolis, Minnesota, 55401-2538, will be staffed by supervisory and technical personnel. Office hours are from 8:00 a.m. to 4:30 p.m. Monday through Friday, but additional hours will be scheduled to accommodate persons unable to visit the relocation office during normal business hours.

C. Informational Program

Copies of the Informational Statement for families and individuals and an informational brochure for businesses are available for examination from Agency staff. The appropriate information is provided to relocatees.

IV. Eviction Policy

No person lawfully occupying property will be required to move without at least 90 days' written notice. Eviction is a rare occurrence, and results from one or more of the following situations:

- A. The failure to pay rent, except in those cases where the failure to pay is based upon the Agency's failure to keep the premises in habitable condition.
- B. Harboring a nuisance or use of the premises for illegal purposes.
- C. A material breach of the rental agreement.
- D. Refusal to accept one of a reasonable number of offers of accommodations meeting approved relocation standards.
- E. The eviction is required by state or local law and cannot be prevented by the Agency.

V. Affirmative Action and Equal Opportunity

In carrying out relocation activities, the Agency shall take affirmative actions to provide displaced families and individuals with maximum opportunities of selecting replacement housing within the community's total housing supply.

VI. Grievance Procedure

Persons and businesses aggrieved by the relocation process may initiate a grievance procedure as provided in Public Law 100-17 for the following reasons:

- A disagreement regarding the determination of eligibility for a relocation payment or the amount of the payment; or
- A disagreement regarding the adequacy of replacement housing referred by Agency staff to displaced persons or businesses.

A brief description of the grievance procedure follows:

- The aggrieved person may request a grievance review by the Agency's Executive Director or his designated representative (other than the staff person who was working with the aggrieved).

- An oral presentation by the aggrieved may be made in the company of an advisor or attorney to the Agency representative.
- The Agency representative will prepare a written finding.
- If the finding of the hearing officer is not satisfactory, judicial review may be sought.

All displaced persons and businesses receive information regarding this grievance procedure.

VII. Project Relocation Plan

There are 22 properties within the project area designated as property that may be acquired by the Agency at this time. It is not known how many displacees will result from the execution of this plan, however, all will receive relocation services and benefits for which they qualify, as discussed within the above sections of this relocation plan.

A. Residential Relocation - see paragraph under Section VII

B. Business Relocation - see paragraph under Section VII

**MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY**

**East Phillips Commons,
Phase 1
Tax Increment Finance Plan**

May 10, 2002

Prepared by Project Planning and Finance Department
MCDA, 105 5th Avenue South, Minneapolis, Minnesota 55401

East Phillips Commons, Phase 1
Tax Increment Finance Plan
May 10, 2002

- I. Tax Increment District Boundary
- II. Statement of Objectives
- III. Development Program
 - A. Description of Development Program
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 - A. Project Costs
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 - D. Original Net Tax Capacity
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 - I. Permit Activity and Prior Planned Improvements
- V. Type of Tax Increment Financing District
- VI. Estimated Impact on Other Taxing Jurisdictions
- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance
- VIII. Modifications to Tax Increment Financing Plans

Exhibits

- 1) Boundary/Acquisition Map
- 2) Project Area Report and Documentation of Blight
- 3) Site Plan

**East Phillips Commons, Phase 1
Tax Increment Finance Plan**

May 10, 2002

Introduction

Two plan documents have been prepared that are related to a proposed rental and homeownership project: this East Phillips Commons, Phase 1 Tax Increment Finance (“TIF”) Plan, and the Lake and Bloomington Redevelopment Plan (collectively, the “Plans”).

The Lake and Bloomington Redevelopment Plan authorizes the creation of a new tax increment finance district as a tool for carrying out the redevelopment activities described therein.

This TIF plan establishes a new redevelopment TIF district: the “East Phillips Commons, Phase 1 TIF District”. This TIF plan authorizes public redevelopment activities and expenditures, establishes a new redevelopment tax increment financing district and a budget for expenditures of the project. Tax increment will be used to pay a portion of the public redevelopment costs for the acquisition costs associated with the project, in addition to MCDA administration costs.

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary

The East Phillips Commons, Phase 1 TIF District is being established within and under the authority of the Lake and Bloomington Redevelopment Project. The property to be included in the proposed district includes twenty-two parcels, including streets, alleys and public rights of way. The tax parcels for the first phase are:

<u>Address</u>	<u>PIN number</u>
1. 2843 Bloomington Av S	35-029-24-44-0026
2. 2845 Bloomington Av S	35-029-24-44-0025
3. 2901 Bloomington Av S	35-029-24-44-0057
4. 2905 Bloomington Av S	35-029-24-44-0056
5. 2909 Bloomington Av S	35-029-24-44-0055
6. 2913 Bloomington Av S	35-029-24-44-0054
7. 2917 Bloomington Av S	35-029-24-44-0053
8. 2919 Bloomington Av S	35-029-24-44-0052
9. 2927 Bloomington Av S	35-029-24-44-0051
10. 2931 Bloomington Av S	35-029-24-44-0064

- | | | |
|-----|----------------------------|-------------------|
| 11. | 2937 Bloomington Av S | 35-029-24-44-0205 |
| 12. | 2941 Bloomington Av S | 35-029-24-44-0061 |
| 13. | 2840 16 th Av S | 35-029-24-44-0023 |
| 14. | 2844 16 th Av S | 35-029-24-44-0024 |
| 15. | 2900 16 th Av S | 35-029-24-44-0045 |
| 16. | 2908 16 th Av S | 35-029-24-44-0046 |
| 17. | 2912 16 th Av S | 35-029-24-44-0047 |
| 18. | 2916 16 th Av S | 35-029-24-44-0048 |
| 19. | 2920 16 th Av S | 35-029-24-44-0049 |
| 20. | 2924 16 th Av S | 35-029-24-44-0050 |
| 21. | 2926 16 th Av S | 35-029-24-44-0059 |
| 22. | 2930 16 th Av S | 35-029-24-44-0060 |

(See Boundary Map, Exhibit 1).

The Project Area Report, which provides a more detailed description of the existing property conditions, and documents the eligibility of this site for the establishment of a Redevelopment TIF District, is appended as Exhibit #2 to this plan.

II. Statement of Objectives

The objectives for this project are described in the Lake and Bloomington Redevelopment Plan in Section B. 3. and are listed below:

The primary project objective will be to identify and carry out housing and commercial redevelopment activities in the project area which will revitalize the neighborhood. Toward this end, the following goals have been identified:

- (1) Facilitate the development and redevelopment of underutilized and/or blighted property in the project area
- (2) Eliminate blight, incompatible uses, and blighting influences
 - Acquire and remove buildings that are economically or functionally obsolete and/or buildings that are underutilized.
 - Remove structurally substandard buildings which are incapable of being rehabilitated.
 - Remove boarded and condemned property.
 - Eliminate blighting influences which impede potential development.
- (3) Develop affordable housing, including both homeownership and rental units, to individuals and families.

- (4) Provide sufficient parking to meet the needs of the community.
- (5) Provide new commercial opportunities and spaces for commercial development.
 - Revitalize/restore/renovate property in the area to create a safe, attractive and functional area
 - Improve the aesthetic and economic vitality of the business district
 - Contribute to the cultural and economic vitality of the neighborhood
 - Promote reinvestment, modernization and rehabilitation as needed
- (6) Provide access to and from the Midtown Greenway to Lake Street.
- (7) Provide public improvements and infrastructure as needed.
- (8) Improve the tax base and tax revenue generating capacity of the City.

This Plan authorizes public redevelopment activity intended to assist with the implementation of the East Phillips Commons, Phase 1 project, including property acquisition costs, administration, and other related activities.

III. Development Program

A. Description of Development Program

The developer of East Phillips Commons, Phase 1, Sherman Associates, Inc. is proposing construction of 32 townhomes at approximately 1,200 square feet each, for a total of 38,400 square feet, 4 live-work ownership units at 900 square feet each, and 30 rental apartments. In addition, 4,400 square feet of commercial/retail spaces will be a part of the project. The project will consist of homeownership and rental units, using a combination of local, regional and federal funds.

The East Phillips Commons, Phase 1 Project is located on portions of approximately one and one-half blocks north of East Lake Street between Bloomington Avenue South and 16th Avenue South. At this time, a TIF District is being created for the first phase. The first phase consists of a rental and homeownership project consisting of 32 townhomes and 30 rental apartments, and includes 4 live-work ownership units. In addition there will be some commercial/retail spaces as part of the project.

The 2900 block of Bloomington and 16th Avenue contains a large number of boarded and condemned houses as well as deteriorated “crack drug” houses on these blocks. This situation has created a place for flourishing of drug sales and prostitution. The redevelopment of this block would resolve the crime problem, provide clientele and workers for new and nearby retail/commercial, and create new town home units, several mixed-use residential/commercial units and a possibility for some senior and handicapped housing. Over 60 total units will be created, which will include both homeownership and rental units, adding significantly to the critically needed common worker housing in the area.

The project would provide the beginning of access to and from the Midtown Greenway to Lake Street and in doing so would add Greenway users to the commerce of the area. The project would also add additional parking and greening in back of the stores on Lake Street. The area is close to the Lake Street LRT Station and so would add riders to the LRT and a convenience amenity for the new homeowners.

B. Property That May Be Acquired

By including in this Tax Increment Finance Plan a list of property that may be acquired, the Agency is signifying that it is interested in acquiring the properties listed, or property interests therein, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the Agency to acquire a property or property interests therein.

<u>Address</u>	<u>PIN number</u>	<u>Owner</u>
2843 Bloomington Av S	35-029-24-44-0026	Jose Socarro Ortiz
2845 Bloomington Av S	35-029-24-44-0025	Maria C. Zumba De Zhagui
2901 Bloomington Av S	35-029-24-44-0057	Kevin Johnson/Krishna Dorney
2905 Bloomington Av S	35-029-24-44-0056	Edward L. Doll
2909 Bloomington Av S	35-029-24-44-0055	Edward L. Doll
2913 Bloomington Av S	35-029-24-44-0054	Edward L. Doll
2917 Bloomington Av S	35-029-24-44-0053	Edward L. Doll
2919 Bloomington Av S	35-029-24-44-0052	Carl R. Diamond
2927 Bloomington Av S	35-029-24-44-0051	Carl R. Diamond
2931 Bloomington Av S	35-029-24-44-0064	MCDA
2937 Bloomington Av S	35-029-24-44-0205	Third Financial Corporation
2941 Bloomington Av S	35-029-24-44-0061	Edward Puckett
2840 16 th Av S	35-029-24-44-0023	Richard E. Stenger
2844 16 th Av S	35-029-24-44-0024	Jason S. Geschwind
2900 16 th Av S	35-029-24-44-0045	Truy Le & Lien Nguyen
2908 16 th Av S	35-029-24-44-0046	Philip R. Owens

2912 16 th Av S	35-029-24-44-0047	Sean C Walsh
2916 16 th Av S	35-029-24-44-0048	Jesus F. Vega/Diana Vivanco
2920 16 th Av S	35-029-24-44-0049	Oscar Cruz
2924 16 th Av S	35-029-24-44-0050	Christopher A. Hervey
2926 16 th Av S	35-029-24-44-0059	MCDA
2930 16 th Av S	35-029-24-44-0060	Noe Arreguin

State law authorizes the Agency to acquire property either on a negotiated basis or through the use of its power of eminent domain, if necessary, to carry out a redevelopment plan. The Agency will seek to acquire property from willing sellers whenever possible, but may use its condemnation authority to acquire property identified as “property that may be acquired” only if the developer is unable to acquire the property or property interests therein directly.

C. Development Activity for Which Contracts Have Been Signed and Other Specific Development Expected to Occur

The MCDA is currently negotiating a development agreement with Sherman Associates, Inc.

D. Other Development Activity

Phase 2 of the housing project will be carried out at a later date. It is anticipated that a separate TIF district will be created for other portions of the project.

IV. Description of Financing

The purpose of this plan is to authorize public redevelopment activities and expenditures to assist with the East Phillips Commons, Phase 1 Project. Anticipated public redevelopment activities may include property acquisition costs, administration, and other related activities.

Sources of funds include tax increment financing, GAP funding sources, including Hennepin County Affordable Housing Funds, Livable Cities Funds, Empowerment Zone Funds, NRP Affordability Funds, Employer Assistance Funds, NRP Corridor Funds, MHFA Affordability Funds, MHFA (MARIF) Gap for Affordable Apartments funds, and other sources not yet identified.

The figures, sources and methods of financing identified in this finance plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the project costs or indebtedness of this project beyond the amounts listed herein, a modification to the plan might be necessary. Such a modification would require the same approval process as the original approval of this TIF plan. The actual public commitment to pay public redevelopment costs for this project is established by the

redevelopment contract, not the TIF plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

A. Project Costs

TIF District Budget

<i>Sources</i>	<i>Up-Front</i>	<i>Over Time</i>
Developer Funds	866,500	---
Tax Increment	---	2,361,950
Annual Local Contributions	---	0
<u>Total Sources.</u>	<u>\$866,500</u>	<u>\$2,361,950</u>
<i>Uses</i>		
Acquisition	866,500	---
Relocation	0	---
Demolition	0	---
Environmental Remediation	0	---
Building Rehabilitation	0	---
Pay-As-You-Go Note Principal	---	866,500
Pay-As-You-Go Note Interest	---	1,242,831
MCDA Administration	---	236,195
<i>Total Uses.</i>	<u>\$866,500</u>	<u>\$2,345,526</u>

B. Bonded Indebtedness to be Incurred

It is anticipated that up-front public redevelopment costs will be financed with pay-as-you-go tax increment financing. With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City or MCDA, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

C. Sources of Revenue

Tax increment generated within the East Phillips Commons, Phase 1 TIF District will be a source of public funds used to pay a portion of public redevelopment costs associated with the East Phillips Commons, Phase 1 project. Other sources of funds to pay public redevelopment costs may include State and regional grants, Metropolitan Council LCDA funds, Hennepin County funds, Ventura Village NRP Commercial Corridor Pool Program Funds, MHFA Super RFP funds, Empowerment Zone Funds, MHFA Urban Indian Program Funds, and other sources that have not yet been identified.

D. Original Net Tax Capacity

The 2001 estimated market value of the tax parcels included is \$1,520,400. This will result in an original net tax capacity of approximately \$16,724.

E. Estimated Captured Net Tax Capacity at Completion

Upon completion of the redevelopment it is anticipated that the estimated market value of taxable property in the District will increase from \$1,520,400 to approximately \$7,797,000. This represents an increase of \$6,276,600 and will generate a total net tax capacity of approximately \$83,870, and an estimated captured net tax capacity of \$67,146.

Based upon a total local tax rate of approximately 145%, this will generate an estimated annual gross tax increment payment of \$97,362 (excluding deduction for State Auditor Fee).

F. Duration of District

The East Phillips Commons, Phase 1 TIF District is a Redevelopment TIF District. Tax increment can be paid to the MCDA for up to twenty-six years of increment collection, or such period as is authorized by law and is necessary to complete financing of the eligible project costs.

G. Fiscal Disparities Election

It is the intent of the MCDA and the City of Minneapolis that the entire fiscal disparity contribution required of the City for development occurring within this district be taken from outside the East Phillips Commons, Phase 1 TIF District. The option provided in Minnesota Statutes Section 469.177, Subdivision 3, Paragraph (a) of the Minnesota Tax Increment Financing Act is elected.

H. Original Tax Capacity Rate

The Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2002. For project and impact purposes, a total tax rate of 147.663% has been used.

I. Permit Activity and Prior Planned Improvements

The East Phillips Commons, Phase 1 project does not include any prior planned improvements that would have been constructed without the approval of this project, and the tax increment and other public financial assistance to be received.

The letter requesting certification by Hennepin County of the East Phillips Commons, Phase 1 TIF District will be accompanied by a list of all of the building permits issued for the properties included in this district during the eighteen months immediately preceding approval of this tax increment financing plan, as mandated by Minnesota Statutes, Section 469.175, Subdivision 3.

V. Type of Tax Increment Financing District

The proposed TIF District is a Redevelopment District pursuant to Minnesota Statutes Section 469.174 Subdivision 10(a) (1). Additional information about the physical conditions in the proposed district and the eligibility of this area for inclusion within a Redevelopment TIF district can be found in the Project Area Report and Documentation of Blight, which is appended as Exhibit 3 to this Plan.

VI. Estimated Impact on Other Taxing Jurisdictions

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the redevelopment of the property would not occur as proposed without the tax increment financing assistance to be provided.

Nevertheless, if it is assumed for purposes of analysis that the proposed development would occur without the tax increment financing assistance and that the estimated captured tax capacity generated by the development would under those circumstances be immediately available to the taxing jurisdictions, then the estimated annual impact on the taxing jurisdictions would be as follows:

<i>Taxing Jurisdictions</i>	Preliminary Tax Capacity Rate Payable 2002	Property Tax Revenues Resulting from \$67,146 Captured Tax Capacity
City of Minneapolis	59.054	\$39,652
Hennepin County	44.748	\$30,046
Special School District #1	32.961	\$ 22,132
Other Taxing Jurisdictions	10.900	\$ 7,319
Total	147.663%	\$99,150

VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance

Minnesota Statutes, Section 469.175, Subdivision 3, provides that prior to the approval of a tax increment financing plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the private redevelopment of the property included in the TIF District could not occur without public participation and financial assistance. This conclusion is based upon the following factors:

The project will eliminate inconsistent uses and blighted and vacant parcels, result in the provision of needed affordable housing units, provide needed parking, assist in the revitalization of the 29th Street Corridor, and provide and encourage development that includes improvements to the existing transit options. Revenue generated from the project is not sufficient to fully amortize the cost of acquisition, demolition and construction. The 2900 block of Bloomington and 16th Avenue contains a large number of boarded and condemned houses as well as deteriorated “crack drug” houses on these blocks. This situation has created a place for flourishing of drug sales and prostitution. The redevelopment of this block would resolve the crime problem, provide clientele and workers for nearby retail and commercial, and create new town home units, several mixed-use residential/commercial units and a possibility for some senior and handicapped housing. The total number of units to be created is projected to be over 60, including both market rate and affordable housing.

Therefore, it is the opinion of the City of Minneapolis that the proposed redevelopment project to be financed, in part, by this TIF District would not occur solely through private investment within the foreseeable future.

The TIF Act requires that a potential TIF district must also pass a market value test in order to make a finding that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by this TIF Plan.

Because it is the opinion of the City of Minneapolis that the proposed redevelopment project to be financed, in part, by this TIF District would not occur solely through private investment at this time, the City projects that the estimated market value of the site without the use of tax increment would remain at its present level. The calculations necessary to pass this test are contained on the next page of this plan. As shown on the following page, the public redevelopment activity, expenditures, and market values associated with the redevelopment that is proposed in this plan results in a series of calculations and figures that clearly pass the market value test.

VIII. Modifications to Tax Increment Finance Plans

This Tax Increment Finance Plan may be modified, provided that the Agency and City Council shall adopt such modifications under the provisions of the Tax Increment Financing Act, Minnesota Statutes, Section 469.175, Subdivision 4.

This plan reflects the establishment of the East Phillips Commons, Phase 1 Tax Increment Financing District.

East Phillips Commons TIF District

Valuation and Tax Increment Assumptions		
	Pay 2003	Pay 2004
Total Estimated Market Value (EMV)	\$1,596,419	\$3,898,500
Less: Original EMV	1,520,400	1,520,400
Captured EMV	\$76,019	\$2,378,100
Total Net Tax Capacity (NTC)	\$17,161	\$41,800
Less: Original NTC	16,724	16,724
Captured NTC	\$437	\$25,100
Times: Projected Total Tax Rate	145.000%	145.000%
Gross Tax Increment	\$634	\$36,500
Less: State Auditor's Fee (.50%)	3	18
Tax Increment Distributed to MCDA	\$631	\$36,300

25 Years of TI Collection		
Years of TIF Collection	Payable Year	Tax Increment Distributed To MCDA
---	2001	\$0

Mark
<p><u>Analysis Required by M (2)</u></p> <p>(1) "... the increased market value is reasonably</p>

---	2002	0
1	2003	631
2	2004	36,319
3	2005	96,875
4	2006	96,875
5	2007	96,875
6	2008	96,875
7	2009	96,875
8	2010	96,875
9	2011	96,875
10	2012	96,875
11	2013	96,875
12	2014	96,875
13	2015	96,875
14	2016	96,875
15	2017	96,875
16	2018	96,875
17	2019	96,875
18	2020	96,875
19	2021	96,875
20	2022	96,875
21	2023	96,875
22	2024	96,875
23	2025	96,875
24	2026	96,875
25	2027	96,875
26	2028	96,875
		<hr/>
		\$2,361,950
P.V. @ 5.00%		\$1,186,675

be expected to occur ...":
(a) Projected estimate without the use of tax increment
(b) Original estimate
(c) Increased estimate without the use of tax increment
(2) "... increase in the market to result from the proposed development subtracting the present value of tax increments for the maximum duration permitted by the plan.":
(d) Increase in the estimated market value of the completed development
(e) Present value of increment for the maximum duration
(f) Difference = (d) - (e)
(3) Since (c) is less than development or redevelopment project test.

PROJECT AREA REPORT

Lake and Bloomington Redevelopment Plan and Tax Increment Finance Plan May 10, 2002

Findings for the Redevelopment Project

The Lake and Bloomington Redevelopment Project (the "Redevelopment Project") qualifies as a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16).

An areawide assessment for eligibility for purposes of establishing a redevelopment project was conducted in November 2001. It was found that the site characteristics indicate significant blighting influences caused by the volume congestion of traffic on East Lake Street and difficult characteristics of the site, all of which may have contributed to and prevented normal development of the land in the past. It was also found that with reasonable certainty, deficiencies exist in the buildings that are below standards of the Uniform Building Code applicable to new buildings and that the buildings at the location are marginal, and structurally substandard in accordance with the Law, because the costs of repairs to comply with standards of the building code exceed 15% of the properties' replacement value.

The statutory definition for "blighted areas" include "buildings or improvements that exhibit dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious land use, obsolete layout and other factors, detrimental to the safety, morals or welfare of the community". The existing residential spaces are obsolete for their present or continued use and are functionally obsolete, lacking certain life safety factors, elements of the Americans with Disabilities Act and obsolete mechanical and electrical systems essential for continued occupancy. Further, the residential and commercial buildings lack energy conservation standards essential for continued occupancy in order to be in compliance with the Uniform Building Code of Ordinances (see State Energy Code 2000, and Bulletin 80-1 Property Code). In addition several illegal conversions of property were observed.

The proposed project area includes approximately 12 acres of land with a total of 49 buildings including 34 residential uses, 12 commercial buildings, 3 institutional occupancies and 16 vacant land parcels totaling 65 parcels. The deterioration of the vacant residential use undermines the value of the adjacent property and the use constitutes a repository for debris, a fire hazard, and vacant residential space is not only an uneconomic use of inner city real estate, but is technically by definition, a structurally substandard building condition (Spot Renewal Chapter 469.012).

Observed indicators of blight are characterized by difficult public access, inadequate setback and side yard restricting the land use (preventing normal maintenance), debris, lack of or no off- street parking, vacant lots containing parked vehicles and outside storage, in addition to graffiti and noxious vegetation and brush, vermin infestation, and deterioration of the wall and roof surfaces, all found generally throughout the entire described area. The use of the property and the structures adversely affects the predominantly residential use and character of the area primarily due to deterioration and vacant buildings, street hazards or inaccessible properties, congestion of streets due to inadequate space for the use, parking and servicing

needs, traffic, service trucks, parked cars, or type of activity generated or attracted by this combined residential and commercial use located on a heavily trafficked arterial intersection.

Factors also detrimental to the health, welfare and morals of the community are characterized and effected by loud music, public urination, and the intersecting problems of drug dealing, prostitution and gathering of homeless people. Street security is difficult when people engage in narcotic incidents, and panhandlers or suspicious persons and vagrants exhibits aggressive behavior. The proposed project area contains many properties exposed to hazardous traffic patterns, merging and "jockeying" vehicles on narrow streets, lacking adequate parking facilities, resulting in cars parked on sidewalks, all impeding the smooth flow of traffic in an area lacking adequate infrastructure all of which disrupts and impedes the flow of traffic and prohibits normal snow removal, particularly in the narrow angled alleys. Many commercial uses off load trucks from the street due to inadequate off street parking, causing hazardous conditions to pedestrians, and insufficient space to maneuver trucks.

Vacant residential property contained broken windows and interior areas open to the elements, with damage caused by vandalism or disuse; dilapidated out buildings, and graffiti covered walls which must be corrected in accordance with city ordinance. Exterior inspections revealed the presence of the following blighting conditions: roof damage caused by ice damming and worn roofing materials, damaged siding and trim, broken storm doors and windows, garage framing and doors out of plumb and in need of paint, trash on site, garage doors open directly onto the alley, and vacant commercial and residential buildings. The above are typical physical and functional obsolescence findings existing generally throughout the geographic area of East Lake Street and Bloomington Avenue with varying degrees of specificity.

Blight Findings for Redevelopment TIF District

Of the 22 parcels to be included in the TIF District, 15 parcels had buildings that were structurally substandard according to Subdivision 10 (b) which states "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance; or were not in compliance with the building code applicable to new buildings, or could be modified to satisfy the building code at a cost of less than 15% of the cost of constructing a new structure of similar square footage and same type of building on the site. Additionally, there was one boarded and vacant building, 2 marginal properties, and 5 vacant lots. The marginal properties had minor repairs and code violations that did not exceed the thresholds to be considered structurally substandard. When permitted, internal and external inspections were conducted on the properties to be included in the TIF District by MCDA Staff. Documentation supporting these findings is on file in the offices of the Minneapolis Community Development Agency, Suite 600, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401.

Findings to this affect will be included in the resolutions considered by the City Council of the City of Minneapolis at the time that these plan documents are offered for approval.